

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT TO CABINET

Date: 14th January 2015

Title: Update on the Scrutiny Review of Concurrent Functions and Funding for Town/Parish Councils

Submitted by: Head of Business Improvement, Central Services & Partnerships

Portfolio: Communications, Policy and Partnerships

Ward(s) affected: All

Purpose of the Report

Members will recall that a report was presented to Cabinet in February 2014 requesting agreement to a review of the existing funding arrangements to parish/town council concurrent functions. Members will further recall that such funding arrangements cover so-called 'concurrent functions' - services which can be carried out by the Borough Council but are also within the statutory remit of a parish or town council.

The review was proposed to examine the existing process of funding by the Borough Council to parish/town councils to avoid the prospect of 'double taxation' (where a service which could be provided by either the Borough Council or a parish/town council is financed from the parish precept in a parished area and by the Borough Council in non-parished areas with no corresponding reduction in Council Tax for the parished areas) and also to examine the levels of funding in light of the financial pressures faced by the Borough Council.

Following presentation of the report outlined above to Cabinet in February 2014, it was agreed this review would be carried out by the then Transformation & Resources Overview and Scrutiny Committee (now the Finance, Resources and Partnerships Scrutiny Committee (FRAPS)), with a request from Cabinet for the Committee to report back to Cabinet in time for implementation of a revised scheme for 2015/16.

FRAPS agreed to establish a Member Working/Task and Finish Group to examine this issue in more detail, in particular to understand concurrent funding of Town/Parish Councils in the Borough and to develop proposals around future arrangements.

A report was duly presented from the Parish/Town Councils – Review of Concurrent Funding Task and Finish Group to FRAPS on 5th November 2014 setting out their findings. This report presents the Task and Finish Group's findings to Cabinet in detail and requests that Cabinet takes a decision as to whether to implement these recommendations either in part or in full.

Recommendations

- a) **That Cabinet notes the contents of this report and, in particular, the findings and recommendations from the Town/Parish Councils – Review of Concurrent Funding Task and Finish Group (see Appendix A) established by the Finance, Resources and Partnerships Scrutiny Committee (FRAPS) in June 2014 to review concurrent funding of parish and town councils in the Borough by NULBC**
- b) **That Cabinet decides whether it wishes to support the all or some of the recommendations of the Task and Finish Group (as endorsed by FRAPS in November 2014) namely:**

- To reject all options for future funding arrangements including doing nothing; reducing the amount funded by NULBC (currently £62,500) by 50%; and abolish such funding entirely in favour of closer monitoring of the existing funding system
- To establish a cross-party monitoring group by NULBC
- To require all parish and town councils to provide proof to the above monitoring group of use and purpose of their grant from 2014/15 before receiving any further grant for 2015/16
- Further to the above recommendation from the Task and Finish Group, that any town/parish council not spending their NULBC grant in full will have any identified underspend from 2014/15 removed from their grant for 2015/16
- That, by April 2016, the level of the general reserve for any town/parish council in the Borough is set at the level of six months' gross expenditure of the town/parish council in question

c) That Cabinet identifies which of the above recommendations from the Task and Finish Group it wishes to support and, in the case of those recommendations not supported by Cabinet, that Cabinet puts forward any alternative proposals before taking a decision on this matter

Reason

As per previous Cabinet reports on this subject, Newcastle-under-Lyme Borough Council currently operates a grant system whereby it provides funds under s.136 of the 1972 Local Government Act for each of the parish/town councils in the Borough to support their activities. Given the financial pressures on the Borough Council and the need to ensure that the existing system continues to operate effectively, a comprehensive review of the existing grant system (which has an annual budget of £62,500) has been carried out in time for implementation as part of the budget process for 2015/16.

1. Background

- 1.1 A number of the services provided by the ten town/parish councils in the Borough of Newcastle under Lyme are defined as 'concurrent functions'. This means they can also be provided by Newcastle under Lyme B.C.
- 1.2 These concurrent functions are discretionary in nature and can include the following: -
- Open space and recreation grounds/facilities;
 - Burial grounds;
 - Bus shelters;
 - Public conveniences;
 - Litter collection;
 - Non statutory street lighting
- 1.3 No definitive list of 'concurrent functions/services have ever been formally produced (although the National Association of Local Councils (NALC) has developed a list).
- 1.4 When considering concurrent functions, the issue of 'double taxation' is one which needs to be addressed. 'Double taxation' arises when a function could be provided by either the Borough Council or a parish/town council and so is effectively funded via the parish precept in parished areas and by the Borough Council in non-parished areas (with no corresponding reduction in council tax for the non-parished areas).

- 1.5 In order to avoid double taxation, a number of schemes are in place in different areas of the country to effectively reimburse parished areas. At present, Newcastle under Lyme B.C. operates a grant system, whereby each parish/town council is provided with an annual sum of money (each parish/town council allocation is based on a calculation against each council's tax base) with which to fund concurrent functions (section 136 of the Local Government Act 1972 allows principal local authorities to pay grants to parish/town councils in respect of concurrent functions).
- 1.6 At present, the Borough Council allocates around £62,500 per annum to parish/town councils in the Borough under the existing grant system.
- 1.7 Given the ongoing financial pressures on the Borough Council, however, it was agreed by Cabinet in February 2014 that a review would be undertaken into this matter and that this review would be carried out by the then Transformation & Resources Overview and Scrutiny Committee (now the Finance, Resources and Partnerships Scrutiny Committee (FRAPS)), with a request from Cabinet for the Committee to report back to Cabinet in time for implementation of a revised scheme for 2015/16.
- 1.8 Following this decision, a paper was presented to the June 2014 meeting of FRAPS setting out the background to this matter and the issues involved. FRAPS agreed to establish a Member Working/Task and Finish Group to examine the issue in more detail, in particular to understand the up to date picture with regard to concurrent funding of Town/Parish Councils in the Borough and develop proposals around the future arrangements for concurrent funding of Town/Parish Councils in the Borough. It was further agreed that the Working/Task and Finish Group would be chaired by Councillor David Stringer. Finally, it was agreed that the Working/Task and Finish Group would report back to FRAPS by December 2014 (at the latest) in order for findings to be presented to Cabinet in time for inclusion in the Council's budget for 2015/16.
- 1.9 In fact, a report was duly presented from the Parish/Town Councils – Review of Concurrent Funding Task and Finish Group to the FRAPS meeting of 5th November 2014 setting out their findings from the review.

2. Establishment and Findings of the Member Task and Finish Group

- 2.1 As said, the June 2014 meeting of FRAPS agreed to establish a Member Task and Finish Group to examine in detail the matter of the funding of concurrent functions as set out in this report.
- 2.2 Membership of the Task and Finish Group consisted of Councillors D Stringer (Chair), S Sweeney, N Jones, D Huckfield and J Taylor
- 2.3 It was further agreed that the Task and Finish Group's remit would consist of two main areas of focus:
 - To understand the up to date picture with regard to concurrent funding of Town/Parish Councils; and
 - To develop proposals around the future arrangements for concurrent funding of Town/Parish Councils in the Borough
- 2.4 The Task and Finish Group met on a number of occasions and met face to face with nine of the ten town/parish councils in Newcastle under Lyme, as well as using information from the Borough Council and elsewhere.
- 2.5 In collecting this information/evidence, the Task and Finish Group focused on a number of areas of study, including:

- Which concurrent functions are delivered by both NULBC and town/parish councils;
 - How these services are currently funded;
 - An analysis of existing parish/town council spend under the heading of concurrent functions;
 - A review of the size of the existing NULBC budget for concurrent functions;
- 2.6 The Group agreed that it would report to the Town and Parish Council Partnership Forum in October 2014; to FRAPS in November and to Cabinet thereafter. The Group also agreed to focus on a number of key questions as part of the areas of study outlined above:
- How is the money received from NULBC spent by town/parish councils?
 - Where is other income derived from?
 - What would the impact of reducing the grant from NULBC?
 - What are the town/parish councils' priority areas for expenditure?
 - What is being kept in reserve?
- 2.7 Overall, the Task and Finish Group found that considerable good practice existed amongst the town and parish councils in the Borough and, overall, the Borough Council is getting good value for money in terms of the grant it provides.
- 2.8 The detailed findings from the Task and Finish Group can be summarised as follows:
- The Group found that town and parish councils receive around £62,500 from NULBC annually and that this is calculated for each council at a rate four times the Council Tax base – meaning that grants can range in terms of size depending on the size of the parish/town council
 - The Group also found that the grant has not varied significantly over the past few years
 - Parish/town councils gain income from a number of sources, as well as the funding they receive from NULBC including from the local precept
 - The Group found that the NULBC grant was being spent in a number of different ways depending on the council in question and the funding is also not ring-fenced
 - It was also found that the vast majority of councils are overspent on concurrent functions and that a reduction in the NULBC grant would therefore have a further impact on this position
 - It was argued by town/parish councils in their submissions to the Group that a cut in the NULBC would result in a rise in the local precept
 - Priority areas for spend varied across the Borough, but included playgrounds and arboricultural work
 - The Group found that parish/town councils have “in excess of £400,000 in cash assets”, which the Group felt were “excessive” (although acknowledged some extenuating circumstances)
- 2.9 The Task and Finish Group made a number of recommendations (see Appendix A) based on these findings. In relation to future NULBC funding, the Group's recommendation was presented as a series of options:
- Option 1 - to do nothing – the Group felt that this was not a viable option, as it gives the Borough Council no control over the grant
 - Option 2 - to reduce the level of the grant by 50% - this was felt to be a logical option by the Group as central government funding has been cut by a similar amount to NULBC since 2010. The view was also put forward, however, that effectively tying the level of grant to central government funding would result in

further reductions in the grant and some parish/town councils receiving hardly any funding in future years

- Option 3 - abolish the grant altogether – the Group noted that there is no legal obligation for NULBC to provide the grant and therefore the Borough Council could remove it altogether. The Group also offered the opinion, however, that this could cause tensions in NULBC-town/parish relationships and could also lead to rises in the local precept
- Option 4 - establish a system whereby use of the grant is more closely monitored – this was the option favoured by the Task and Finish Group. The Group felt that town/parish councils generally provide good value for money and therefore recommended, as part of this option, that the overall level of NULBC grant for 2015/16 should remain unchanged

2.10 In relation to the final option (Option 4) which is, as said, the option favoured by the Task and Finish Group, the Group also felt, however, that the NULBC grant should be provided in future with a number of conditions attached. These conditions include the recommendation to establish a cross-party monitoring group to monitor parish/town council use of monies received via the NULBC grant. In addition, the Group recommended that, prior to any grant money being issued for 2015/16 by the Borough Council, individual town and parish councils would need to provide the cross-party monitoring group with proof that the grant received for 2014/15 had been used in full and for its intended purpose. The Task and Finish Group went on to state as part of its recommendations that a failure to provide this information or information which showed that the grant had not been spent in full or for its intended purpose could result in an amount equivalent to any shortfall in 2014/15 being deducted from the grant for 2015/16. This recommendation was approved by the Town and Parish Council Partnership Forum in October 2014.

2.11 Finally, the Task and Finish Group re-stated its concerns regarding the level of cash assets held by town and parish councils in the Borough. It therefore recommended that general reserves held by town and parish councils should be set at a level of six months' general expenditure (in line with NALC recommendations) calculated by averaging the previous three "normal" years of expenditure. The Task and Finish Group also recommended that any remaining cash assets should be earmarked for specific projects and/or maintenance with specific timescales agreed in conjunction with the Borough Council.

2.12 The Task and Finish Group concluded that NULBC needs to be sure that the grant it is used by the town and parish councils in a prudent way and for its intended purpose.

3. Issues for Cabinet

3.1 Based on the recommendations set out in the previous section from the Task and Finish Group, Cabinet needs to establish its own position with regard to this matter.

3.2 Although it should be noted that FRAPS, at its meeting in November 2014, agreed to endorse the above recommendations and to endorse Option 4 (to maintain the NULBC grant at its current level and to establish a cross-party monitoring group), it is left to Cabinet to make the final decision on this matter.

3.3 Cabinet may therefore choose to agree to all of the Task and Finish Group's recommendations as set out in this report or may agree to some or none of them. Cabinet may also decide to select one of the other options put forward by the Task and Finish Group around the future of the grant or may wish to propose further options.

4. Outcomes Linked to Corporate Priorities

- 4.1 The recommendations set out in this report support all of the Borough Council's corporate priorities.

5. Legal and Statutory Implications

- 5.1 The matters set out in this report are covered, in the main, by s.136 of the 1972 Local Government Act which allows grants to be made to town and parish councils in any one area by the principal local authorities covering that area. It should be noted, however, that there is no legal obligation for any principal local authority to provide grants under this legislation and, in fact, over 400 councils make no grant at all in this way.
- 5.2 Further to the previous point, NULBC has made grants to town and parish councils since it was formed in 1974, but this is on an effectively voluntary basis.

6. Equality Impact Assessment

- 6.1 An Equality Impact Assessment is being developed for this area of work.

7. Financial and Resource Implications

- 7.1 Currently the Borough Council provides a grant of around £62,500 per annum to town and parish councils in the Borough. This grant is calculated on the basis of a rate which is four times the Council Tax base. The figure itself has varied slightly year on year as numbers living in each area change.
- 7.2 Any review of the amount allocated to this grant must take into account the general financial position of NULBC, in that – as per the Medium Term Financial Strategy – savings have to be identified across all aspects of Borough Council activity in order to bridge budget 'gaps'. Any decision not to reduce the amount of this grant, therefore, means that other areas of the Council will have to locate reductions in their funding levels as part of the budget process for 2015/16. It should also be noted that the draft budget proposals for 2015/16 – to be found elsewhere on this Cabinet agenda – assume a reduction of 25% in this area of funding.
- 7.3 From a general resource perspective, Members should note that the establishment of a cross-party monitoring group - as outlined in the recommendations from the Task and Finish Group on concurrent functions and set out in this report – would require officer support and would need to allocate time for meetings and analysis.

8. Major Risks

- 8.1 These are largely as outlined in this report, but include the following:
- To leave the existing system unchanged would mean that minimal scrutiny of the use of the NULBC grant to parish and town councils could continue with the result that there is a risk of the grant not being used for its intended purpose and/or not being used in full
 - To reduce the level of the NULBC grant may lead to damage to the Borough Council's reputation and also to relations with parish/town council, as well as increases in local precepts for parish/town councils – these risks would also apply, to a greater extent, if the grant was abolished completely
 - Leaving the level of the grant unchanged may mean that other areas of NULBC activity will have to be reviewed and potentially have funding reduced as part of the overall budget process for 2015/16
 - The establishment of a cross-party monitoring group may lead to issues in terms of resourcing meetings and analytical work by NULBC, including tracking the spend activity of town/parish councils

- Adopting the recommendation to require town/parish councils to reduce the levels of their reserves may also lead to reputational damage for NULBC and damage to relationships between NULBC and town/parish councils

9. Key Decision Information

9.1 This report can be considered a key decision in the following ways: -

- It requires the Borough Council to commit existing and additional resources for the function to which the decision relates and;
- It impacts on communities living or working in an area comprising two or more electoral wards in the Borough.

10. Earlier Cabinet/Committee Resolutions

10.1 Parish/Town Councils – Review of Concurrent Functions and Funding (February 2014)

11. List of Appendices

11.1 Appendix A – Report of the Task and Finish Group on Concurrent Funding (as presented to FRAPS) November 2014

12. Background Papers

12.1 *Managing Double Taxation: A guide for local (parish and town) councils and principal local authorities* – National Association of Local Councils January 2011